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C O N F I D E N T I A L STATE 283429

FOR AMBASSADOR YOUNG FROM UNA

FOL TEL SENT ACTION SECSTATE INFO BRUSSELS PARIS LONDON BONN
TOKYO ROME FROM KINSHASA DTD 26 NOV 1977 QTE

C O N F I D E N T I A L KINSHASA 11236

E.O. 11652: GDS
TAGS: EAID, GC
SUBJECT: MOBUTU ANNOUNCES "MOBUTU PLAN"

REF: KINSHASA 10926

1. SUMMARY: MOBUTU'S NOVEMBER 25TH SPEECH TO THE 2ND REGULAR CONGRESS OF THE MPR PRODUCED NO SURPRISES-AN ELABORATION OF THE "MOBUTU PLAN" FOR THE ECONOMY AND CONFIRMATION THAT MOBUTU WOULD SEEK REELECTION AS PRESIDENT OF THE REPUBLIC OF ZAIRE. THE PLAN CALLS FOR IMPROVEMENTS IN A NUMBER OF SECTORS, AMONG THEM TRANSPORTATION, AGRICULTURE, MINING AND GENERAL MANAGEMENT, ESPECIALLY OF THE FINANCIAL INSTITUTIONS. FOR THE MOST PART, HOWEVER, DETAILED PLANS WERE ABSENT. MOBUTU DID NOT MENTION MAJOR IMMEDIATE PROBLEMS SUCH AS WAGE/LABOR DISPUTES. HE DID CONFIRM THAT GOZ WILL ASK FOR IMF TECHNICIANS TO HELP RUN CENTRAL
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BANK, AND EXPRESSED "EXPECTATION" THAT PRIVATE BANKS WILL HONOR LONDON ACCORD OBLIGATIONS. CORRECTION OF MAJOR ECONOMIC ABUSES WHICH MOBUTU CITED WOULD INVOLVE CURBING PRIVILEGES OF MOBUTU FAMILY AND ZAIRIAN ELITE. IT REMAINS TO BE SEEN IF SUCH IS POSSIBLE. END SUMMARY.

2. BULD OF SPEECH WAS DEVOTED TO ECONOMY. AFTER AN EXTENSIVE CATALOGUE OF WHAT'S WRONG WITH ZAIRE, INCLUDING SEVERAL FRANK STATEMENTS THAT ZAIRE HAD EXACERBATED THE PROBLEMS CAUSED BY LOW COPPER PRICES AND THE WORLDWIDE ECONOMIC RECESSION BY ITS

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OWN MISMANAGEMENT AND LACK OF POLITICAL WILL, MOBUTU GOT DOWN TO THE MAIN POINT OF HIS SPEECH-ANNOUNCEMENT OF THE "MOBUTU PLAN" TO PUT THE ECONOMY BACK ON ITS FEET. THE PLAN PRESENTED IS ONLY AN OUTLINE, LACKING MANY SPECIFICS EXCEPT IN THOSE FEW INSTANCES WHERE INDIVIDUAL AID PROJECTS HAVE ALREADY BEEN DISCUSSED WITH PROSPECTIVE DONORS. MANY OF THE NEW INITIATIVES EITHER WILL NOT TAKE EFFECT UNTIL 1 JANUARY 1978 OR ARE SO SKETCHY THAT MAJOR DETAILS MUST BE PRESENTED LATER. THE MAIN POINTS OF THE PLAN ARE AS FOLLOWS:

A. TRANSPORTATION:

(1) THE AIR ZAIRE AND ONATRA MONOPLIES ON AIR AND RIVER TRANSPORT WILL BE ELIMINATED, OPENING UP THIS SECTOR TO ANYONE WHO CAN AFFORD TO BUY A PLANE, BOAT, OR BARGE. THE RAILWAY WILL CONTINUE TO BE A STATE-OWNED MONOPOLY.

(2) THE REGIE DES VOIES FLUVIALES & AERIENNES WILL BE TRANSFORMED INTO ASSOCIATIONS OF THE VARIOUS RIVER AND AIR TRANSPORT COMPANIES WITH STATE PARTICIPATION IN AN AMOUNT STILL TO BE DETERMINED. IN ORDER TO LESSEN CONGESTION ON THE "VOIE NATIONALE"-THE INTER-CONNECTED ROAD-RAIL-RIVER SYSTEM - 40 NEW BARGES AND 10 BOATS ARE TO BE PUT IN SERVICE BETWEEN KINSHASA AND ILEBO AS A TEMPORARY SUBSTITUTE FOR THE TOO EXPENSIVE KINSHASA-ILEBO RAILWAY. A LOCAL SHIPBUILDER HAS ALREADY BEEN ORDERED TO WORK OUT THE DETAILS FOR THIS FERRY SYSTEM.

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(3) TO EASE THE PRESSURE ON KINSHASA'S MASS TRANSPORT SYSTEM, AN ELECTRIFIED ABOVE-GROUND METRO SYSTEM WILL BE BUILT (FYI: THIS IS TO GO FROM KINTAMBO TO NDJILI AND REPORTEDLY A FRENCH FIRM HAS BEGUN FEASIBILITY STUDIES. END FYI)

B. AGRICULTURE:

(1) TEXTILE PRODUCERS WILL BE ENCOURAGED TO TAKE UP COTTON CULTURE TO ENSURE ZAIRIAN SELF-SUFFICIENCY. THE NATIONAL TEXTILE OFFICE WILL ALSO BE REFORMED.

(2) THE PRESIDENTIAL FARM AT N'SELE WILL BECOME A MIXED COMPANY WITH PARTICIPATION BY THE STATE AND THOSE TECHNICIANS CURRENTLY RUNNING THE N'SELE OPERATION. OTHER ASSOCIATIONS OF THIS TYPE ARE TO BE ENCOURAGED. THE STATE WILL NO LONGER BE "BUTCHER, BAKER, GROCER OR MERCHANT".

(3) PRIVATE INVESTMENT AND INITIATIVE, BOTH ZAIRIAN AND FOREIGN, ARE TO BE ENCOURAGED IN THE AGRICULTURAL SECTOR. MOBUTU HERE LISTED SOME OF THE PROJECTS THAT HAVE BEEN/ARE BEING ACCOMPLISHED WITH FOREIGN ASSISTANCE: THE TOMATO CONCENTRATE PLANT AND MILK PLANT AT N'SELE, A TOMATO CULTURE PROJECT IN KIVU, A FISHING PROJECT AT KALEMIE.

(4) NOTING THAT, BECAUSE OF LACK OF ORGANIZATION ZAIRE HAD NOT BEEN ABLE TO TAKE FULL ADVANTAGE OF HIGH COFFEE PRICES, MOBUTU ANNOUNCED THE REORGANIZATION OF THE NATIONAL COFFEE OFFICE EFFECTIVE JANUARY 1978. NO DETAILS WERE GIVEN.

(5) TO ENCOURAGE AGRICULTURAL EXPANSION, THE BANK OF ZAIRE AND SOFIDE (SOCIETE FINANCIER DU DEVELOPMENT) WILL UNDERTAKE A STUDY OF METHODS OF PROVIDING THE NECESSARY LONG-TERM, LOW-INTEREST LOANS THAT AGRICULTURAL ENTERPRISES NEED, AND MEANS OF INVOLVING

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THE PRIVATE BANKS IN THIS ENDEAVOR. IN THE MEANTIME, SOFIDE'S
AGRICULTURE DEPARTMENT WILL BE REACTIVATED TO FINANCE
AGRICULTURAL PROJECTS, PARTICULARLY IN THE INTERIOR.

C. MINING AND MINERALS:
(1) BECAUSE OF ZAIRE'S HEAVY DEPENDENCE ON MINERALS EXPORTS AND
THE CHANGING PROFITABILITY OF VARIOUS METALS, A BUREAU OF PLANNING
FOR THE MINERALS SECTOR WILL BE SET UP UNDER THE DIRECTION OF
THE DEPARTMENT OF MINES. A COLLOQUIUM WITH PARTICIPANTS FROM
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ALL THE MINING RELATED ORGANISMS WILL BE SET UP FOR JANUARY 1978.
(2) AN ADDITIONAL 20 PERCENT OF MIBA, THE LARGEST DIAMOND
PRODUCER, WILL BE RETROCEDED. BELGIAN PRIVATE INTERESTS HAVE
EXPRESSED INTEREST IN INVESTING IN MIBA.
(3) GEOMINES WILL ALSO BE MAKING PRELIMINARY STUDIES IN JANUARY
REGARDING POSSIBLE ASSISTANCE TO THE KILO MOTO GOLD MINES.
(4) STUDIES WILL BE UNDERTAKEN REGARDING THE FEASIBILITY OF
INSTALLING A MANGANESE SMELTER IN ZAIRE FOR USE BY SOMINKI
(SOCIETE MINIERE DE KISENGE).
D. ECONOMIC DECENTRALIZATION: REGIONAL ECONOMIC AND SOCIAL
COUNCILS WILL BE CREATED WITH PARTICIPATION BY BUSINESSMEN
PROPOSED BY ANEZA, LABOR REPRESENTATIVES SELECTED BY THE UNION,
REGIONAL RELIGIOUS REPRESENTATIVES, ACADEMICS, AND RESIDENTS OF
THE REGION NAMED BY THE PRESIDENT.
E. CONOMIC MISMANAGEMENT AND FRAUD:
(1) TO COUNTER THE FLIGHT OF HARD CURRENCY AND SMUGGLING,
EXPORTERS WILL BE GUARANTEED PRICES NO LOWER THAN THOSE OFFERED ON
THE PARALLEL MARKET. (COMMENT: JUST HOW THIS WOULD BE DONE WAS
NOT SPELLED OUT, BUT I MAY BE SETTING THE STAGE FOR INSTITUTION
OF A DUAL EXCHANGE RATE. RUMORS HAVE BEEN RIFE THAT SUCH A SYSTEM
WILL SOON BE ANNOUNCED.)
(2) LINKS WILL BE ESTABLISHED AMONG THE CUSTOMS, MARITIME, AND
AVIATION SERVICES TO CUT DOWN SMUGGLING.
(3) TIGHTER SCRUTINY OF BANK OF ZAIRE RECORDS OF ISSUED EXPORT
LICENSES AND DEPARTMENT OF FINANCE CUSTOMS DECLARATIONS WILL BE
INSTITUTED TO UNCOVER CASES OF FRAUD.
(4) NEW CUSTOMS PROCEDURES WILL BE INISTITUTED IN THE NEAR FUTURE.
(5) HEAVY FINES WILL BE IMPOSED ON THOSE CAUGHT IN VIOLATION OF
THE CUSTOMS REGULATIONS.
(6) SUBSTANTIAL BONUSES WILL BE PAID TO THE CUSTOMS AGENTS.
(7) ALL THE FOREGOING WILL BE EFFECTIVE JANUARY 1, 1978,
ALLOWING ONE MONTH FOR HOUSES TO BE PUT IN ORDER. MOBUTU NOTED
THAT HE HAS ALREADY RECEIVED ASSURANCES OF THE NECESSARY
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TECHNICAL HELP FROM "SOME COUNTRIES AND INTERNATIONAL
ORGANIZATIONS".
(8) REGIONAL AUTHORITIES WILL HENCEFORTH BE HELD RESPONSIBLE FOR
ANY SALES OF GOODS IN THEIR AREAS AT OTHER THAN AUTHORIZED

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PRICES. THEY WILL HAVE AUTHORITY TO PUNISH SPECULATORS, AND IN
THE ABSENCE OF SUCH ACTION WILL BE HELD PERSONALLY RESPONSIBLE.
(9) IN THE FIRST QUARTER OF 1978, THE AUDIT OFFICE MENTIONED IN
THE JULY 1ST, 1977, SPEECH WILL BE CREATED. (COMMENT: IT WILL BE
SIMILAR TO OMB IN THAT IT WILL HAVE CONTROL OF EXPENDITURES
A PRIORI, AS WELL AS TRADITIONAL AUDIT RESPONSIBILITIES.) ALL
SEGEMENTS OF THE GOVERNMENT BUDGET, INCLUDING THE PRESIDENTIAL
"ENDOWMENTS" WILL COME UNDER ITS JURISDICTION.
(10) ANEZA (THE LOCAL CHAMBER OF COMMERCE) WILL BE USED AS A
DEVELOPMENT TOOL, SEEKING TO ENCOURAGE HARMONY AMONG THE STATE
BUSINESSES, AND WORKERS.
F. TOURISM, ENERGY AND CONSERVATION:
(1) INTERNATIONAL AIRPORTS AT GOMA AND KISANGANI ARE EITHER
COMPLETE OR ALMOST SO. TOURIST BOATS WILL SOON BE IN USE AT
MALEBO POOL. TO ENCOURAGE TOURISM, VISA FORMALITIES FOR ZAIRE
WILL BE SIMPLIFIED. AS OF JANUARY 1, THOSE PERSONS ARRIVING IN
ZAIRE WITHOUT A VISA FOR TECHNICAL OR PRACTICAL REASONS CAN
OBTAIN TOURIST VISAS AT THE AIRPORT OR AT IMMIGRATION. THOSE
MAKING NUMEROUS TRIPS WILL RECEIVE RENEWABLE NINE-MONTH TO ONE-
YEAR VISAS. ENTRY INTO ZAIRE WILL NO LONGER BE RESTRICTED TO
KINSHASA.
(2) IN ORDER TO EXPLOIT THE VAST ELECTRICAL POTENTIAL OF INGA;
THE POSSIBILITY OF TURNING A PART OF BAS ZAIRE INTO AN
INTERNATIONAL INDUSTRIAL FREEPORT WILL BE STUDIED.
(3) REFORESTATION WILL BE TAKEN OVER BY THE TIMBER COMPANIES
THEMSELVES, RATHER THAN THEIR PAYING A FEE TO THE STATE TO DO IT.
THE MODALITIES ARE YET TO BE WORKED OUT.
G. BUSINESSES, COMPANIES:
(1) ZAIRIAN COMPANIES SHOULD CONCENTRATE ON PRODUCTION, NOT
DISTRIBUTION AND SALES OF PRODUCTS MANUFACTURED ELSEWHERE, AND
ELIMINATE TRIBALISM AND REGIONALISM IN HIRING.
(2) FOREIGNERS WHO "LOVE OUR COUNTRY, RESPECT OUR LAWS, (AND)
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WISH TO GAIN THEIR LIVING BY MAKING THEIR CONTRIBUTION TO ZAIRE"
ARE FREE TO LIVE IN ZAIRE WITH NO LIMITS ON ACTIVITIES OR
LOCATION. THEY CAN ENTER INTO BUSINESS WITH ZAIRIAN PARTNERS
OF THEIR CHOICE OR ON THEIR OWN(I.E., WITHOUT REQUIRING
ZAIRIAN PARTICIPATION IN OWNERSHIP).
(3) THOSE COMPANIES WHICH HAVE ALREADY TAKEN ZAIRIAN PARTNERS
WILL HAVE PRIORITY FOR REPATRIATION OF PROFITS.
(4) THE STATE WILL HAVE TO OVERCOME ITS REPUTATION AS A BAD
CLIENT BY PAYING ITS BILLS ON TIME, BOTH TO THE PARASTATALS AND
TO PRIVATE ENTERPRISES, AND BY BUDGETING SUFFICIENT SUMS TO PAY
THOSE BILLS. THE DEPARTMENT OF FINANCE WILL BE RESPONSIBLE FOR
INSTITUTING TIGHTER CONTROLS ON BUDGET CREATION AND OBSERVANCE,
DEBT PAYMENT, TAX ASSESSMENT AND RECOVERY, AND PREPARATION OF
INTERNATIONAL FINANCIAL AGREEMENTS.
H. THE STATUS OF GOVERNMENT EMPLOYEES:
(1) BEFORE THE END OF THE FIRST HALF OF 1978, THE EXECUTIVE
COUNCIL IS TO COME UP WITH PLANS FOR IMPROVING THE METERIAL
WELLBEING OF CUSTOMS AGENTS, FINANCE INSPECTORS, TAX COLLECTORS,

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BORDER GUARDS, AND ALL OTHER STATE EMPLOYEES WHOSE JOBS IMPACT
ON STATE REVENUE COLLECTION.
(2) A REQUEST WILL BE MADE TO THE IMF FOR TECHNICAL ASSISTANCE
IN RUNNING THE BANK OF ZAIRE.
(3) ZAIRE STILL EXPECTS THAT THE PRIVATE BANKS WILL HONOR THEIR
OBLIGATIONS UNDER THE LONDON BANK AGREEMENT WITH REGARD TO THE
$250 MILLION CREDIT TO SUPPORT THE ECONOMIC REBIRTH OF ZAIRE
UNDER THE MEASURES OF THE IMF STABILIZATION PROGRAM.

3. IN CLOSING, MOBUTU INDICATED THAT HE DID NOT WISH TO BE
PRESIDENT FOR LIFE; NONETHELESS, HE ASKED THE CONGRESS TO PROVIDE
HIM WITH ANOTHER SEVEN-YEAR MANDATE AS PRESIDENT OF THE REPUBLIC.

4. BELGIAN EMBOFF TOLD US THAT MOBUTU PLAN AS DESCRIBED IN
SPEECH IS ONLY BROAD OUTLINE OF DETAILED PLAN PREVIOUSLY
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PREPARED BETWEEN ZAIRIANS AND BELGIANS. HE MENTIONED, FOR EXAMPLE,
THAT THERE WAS ONLY ONE INSTANCE IN SPEECH, I.E., WHEN MOBUTU
STATED NEED FOR 40 BARGES AND 10 BOATS, OF TYPE OF DETAILS
CONTAINED IN BELGIAN-ZAIRIAN PLAN. HE NOTED THAT ALTHOUGH SPEECH
WAS BASICALLY IN GENERALITIES, MOBUTU MADE FREQUENT REFERENCES
TO PLANS THAT WOULD BE IMPLEMENTED IN NEAR FUTURE; THUS BELGIAN
CONSIDERED IT POSSIBLE THAT MAJOR PORTION OF BELGIAN-ZAIRIAN
PLAN WILL BE ANNOUNCED IN NEAR FUTURE.

5. COMMENT: WITH A FEW EXCEPTIONS SUCH AS THE NEW TOURIST
REGULATIONS, THE DISCOURSE WAS MOSTLY GENERALITIES. HOWEVER,
THIS IS NORMAL. MAJOR CHANGES SUCH AS "RADICALIZATION",
"ZAIRIANIZATION", OR "STABILIZATION" HAVE BEEN ANNOUNCED FIRST
AND THEN DETAILS FOLLOWED IN THE NEXT FEW WEEKS AND MONTHS.
SUCH WILL PROBABLY BE THE CASE WITH THE MOBUTU PLAN. THIS WOULD
ALSO BE CONSISTENT WITH WHAT BISENGIMANA TOLD THE
AMBASSADOR (SEE REFTEL) WHEN HE STATED THAT MOBUTU WOULD ANNOUNCE
HIS PLAN AND THEN LATER GIVE DETAILS TO MAJOR PROSPECTIVE DONORS.

6. THE PRESIDENT'S SPEECH IS PERHAPS AS NOTEWORTHY FOR WHAT IT
DOES NOT SAY AS FOR WHAT WAS ANNOUNCED. FOR EXAMPLE, MOBUTU
MADE NO MENTION OF THE TEACHERS' STRIKE IN THE KINSHASA AREA
OR TO POSSIBLE GENERAL WAGE INCREASES IN THE PUBLIC SECTOR, A
SUBJECT OF MAJOR INTEREST CONSIDERING THE APPROXIMATE 50 PERCENT
INFLATION RATE SO FAR THIS YEAR.

7. FINALLY, WE NOTE THAT MOBUTU CORRECTLY AND RATHER
COURAGEOUSLY DESCRIBED SOME OF THE MAJOR CAUSES FOR THE ECONOMIC
PROBLEMS OF THE COUNTRY. SUCH AS ILLEGAL IMPORTS AND EXPORTS,
FAILURE TO PAY CUSTOMS TAXES, AND EXCESSIVE PRICE MARKUPS.
HOWEVER, IT IS WELL KNOWN THAT THE ZAIRIAN ELITE, INCLUDING
MOBUTU'S CLOSE RELATIVES, ARE AMONG THE CHIEF PERPETRATORS OF
THESE ACTIONS. IT REMAINS TO BE SEEN IF HE CILL OR CAN CORRECT
THESE ABUSES BY THE ELITE. CUTLER UNQTE VANCE

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